

Elbridge Township
REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)
Year ended March 31, 2008

Elbridge Township

List of Elected Officials

Supervisor:	Walter Wheeler
Clerk:	Stephanie VanSickle
Treasurer:	Renee Vanderlaan
Trustee:	Paul Cutter
Trustee:	Eric Herrygers

Elbridge Township

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INDEPENDENT AUDITOR'S REPORT

August 26, 2008

Township Board
Elbridge Township
Hart, Michigan

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Elbridge Township, as of and for the year ended March 31, 2008, which collectively comprise Elbridge Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Elbridge Township's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Elbridge Township, as of March 31, 2008, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 3 through 9 and 34 through 25, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

Lake Michigan PT Services, LLC
Ludington, Michigan

Management's Discussion and Analysis

Using this Annual Report

As management of Elbridge Township, we offer readers of Elbridge Township's financial statements, this narrative overview and analysis of financial activities for the year ended March 31, 2008. The Township is presenting this analysis along with the financial statements in a format prescribed by the provisions of the Governmental Accounting Standards Board Statement 34 (GASB 34). The annual report consists of a series of financial statements, including the Statement of Net Assets and the Statement of Activities, which provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements are also included, which tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

Financial Highlights

The Township's governmental activities showed an improvement over the prior year, as the Township's revenues exceeded expenses by \$14,701 in the government-wide financial statements. This was a decline over the 2007 fiscal year, which reflected an increase in net assets of \$34,972. This was due mainly to an increase in road work in the 2008 fiscal year.

The Township's General Fund revenues exceeded expenditures by \$18,061 and the total change in fund balance in the General Fund was \$15,355, due to a transfer out to the Cemetery Perpetual Care Fund.

Overview of the Financial Statements

The Management's Discussion and Analysis introduces the Township's basic financial statements. The basic financial statements include 1) the government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The Township also includes in this report additional information to supplement the basic financial statements.

Management's Discussion and Analysis

Government-Wide Financial Statements

The government-wide financial statements are designed to give a view of the entity as a whole. These statements provide both long-term and short-term information about the Township's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities and charges.

The Statement of Net Assets is the Township-wide statement of financial position presenting information that includes all of the Township's assets and liabilities, with the difference reported as net assets. Over time, changes in net assets may serve as a useful indicator of the financial health of the Township and whether the financial condition is improving or deteriorating.

The Statement of Activities reports how the Township's net assets changed during the current fiscal year. All current year revenues and expenses are included when the event giving rise to the change occurs, regardless of the timing of when cash is received or paid. The Statement of Activities is designed to help show the financial reliance of the Township's distinct activities or functions on revenues provided by the Township's taxpayers and intergovernmental revenues.

Fund Financial Statements.

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Township uses funds to ensure and demonstrate compliance with related laws and regulations. Within the basic financial statements, the fund financial statements focus on the Township's most significant funds, rather than the Township as whole. Major funds are separately reported while all others are combined into an aggregated presentation. Elbridge Township has two governmental funds, but has no business-type funds. The Township's major funds are the General Fund and the Cemetery Perpetual Care Fund.

Management's Discussion and Analysis

The Township has two types of funds as noted below:

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the Township's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the fiscal year. Governmental funds are useful in evaluating annual financial requirements of governmental programs and the commitment of spendable resources for the near-term.

The government-wide financial statements focus on the long-term view, while the fund statements focus on a shorter view. Therefore, comparisons of the two may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and statement of revenues, expenditures and changes in fund balances include a reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

A budgetary comparison for the General Fund is found at the end of this report. This schedule demonstrates compliance with the Township's adopted and final revised budget.

Fiduciary funds are reported in the fiduciary fund financial statements, but are excluded from the government-wide financial reporting, as they are used to account for resources held for the benefit of parties other than the Township. Fiduciary fund financial statements report resources that are not available to fund Township programs. Fiduciary fund financial statements report similarly to proprietary funds.

Notes to the Financial Statements.

The accompanying notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes begin immediately following the basic financial statements.

Management's Discussion and Analysis

Government-wide Financial Analysis

Net assets of the Township may be used as an indicator of a government's overall financial position. As of March 31, 2008, the Township's net assets from governmental activities totaled \$406,834, which was an increase over the net assets of \$392,133 at March 31, 2007.

Net assets of the Township include net assets which are invested in capital assets (i.e., buildings, land, equipment, etc.). These assets are used to provide services to the Township's residents, and they are not available to pay salaries, operational expenses or fund capital projects. Net assets invested in capital assets totaled \$134,049 at March 31, 2008 and \$137,119 at March 31, 2007. The Township did not have any debt outstanding at March 31, 2008 or 2007. The unrestricted net assets for governmental-type activities at March 31, 2008 depicted a fund balance of \$272,785. The unrestricted fund balance represents the amount of discretionary resources that can be used for general governmental operations.

The following table presents a summary of the government-wide statement of net assets:

Summary of Net Assets
March 31, 2008 and 2007

	March 31, 2008	March 31, 2007	Increase/ (Decrease)
Current assets	\$ 272,785	\$ 255,014	\$ 17,771
Noncurrent assets	134,049	137,119	(3,070)
Total Assets	<u>406,834</u>	<u>392,133</u>	<u>14,701</u>
Net Assets			
Invested in Capital Assets	134,049	137,119	(3,070)
Unrestricted	272,785	255,014	17,771
Total Net Assets	<u>\$ 406,834</u>	<u>\$ 392,133</u>	<u>\$ 14,701</u>

Management's Discussion and Analysis

The following table summarizes the governmental statement of activities for the years ended March 31, 2008 and 2007:

Summary of the Statement of Activities
For the Years Ended March 31, 2008 and 2007

Revenues	<u>3/31/2008</u>	<u>3/31/2007</u>
Program Revenues		
Charges for Services	\$ 1,250	\$ 1,400
General Revenues		
Property Taxes	99,429	93,737
Grants and Contributions not restricted	94,815	85,554
Unrestricted Investment Earnings	8,150	7,072
Miscellaneous	<u>10,591</u>	<u>2,286</u>
Total Revenue	214,235	190,049
 Expenses		
General Government	72,515	65,670
Public Safety	61,910	62,640
Public Works	57,918	17,093
Community & Economic Development	4,265	5,374
Culture and Recreation	<u>2,926</u>	<u>4,300</u>
Total Expenses	199,534	155,077
Increase (Decrease) in Net Assets	14,701	34,972
Net Assets, April 1	<u>392,133</u>	<u>357,161</u>
Net Assets, March 31	<u><u>\$ 406,834</u></u>	<u><u>\$ 392,133</u></u>

Management's Discussion and Analysis

Fund Financial Analysis

As noted above, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming requirements. Elbridge has two governmental funds: the General Fund and the Cemetery Perpetual Care fund. Both funds are considered major funds in 2008.

The General Fund reported an ending fund balance of \$215,282, all of which is unreserved and unrestricted for continuing Township service requirements. The fund balance of the General Fund rose \$15,355 over the prior year.

In the Cemetery Perpetual Care fund, the total fund balance of \$57,503 is reserved for cemetery maintenance. During fiscal year 2008, this fund balance increased by \$2,416.

General Fund Budgetary Highlights

The originally adopted General Fund budget for the March 31, 2008 fiscal year showed planned revenue of \$195,710 and expenditures of \$298,099. The excess of expenditures over revenues was to be covered by the Township's fund balance. The total revenue and expenditure budget did not change from the original budget to the final amended budget.

Capital Assets

The Township's total investment in capital assets as of March 31, 2008 was \$134,049. The investment in capital assets includes land, land improvements, buildings and improvements, and equipment. There were no current year capital asset additions. Depreciation expense was \$3,070 in fiscal year 2008.

Management's Discussion and Analysis

The following table depicts the composition of capital assets of the Township as of March 31, 2008 and 2007:

Capital Assets March 31, 2008 and 2007		
	March 31, 2008	March 31, 2007
Nondepreciable		
Land	\$ 49,500	\$ 49,500
Depreciable		
Buildings and improvements	92,746	92,746
Equipment	1,505	1,505
Software	9,426	9,426
Total depreciable assets	103,677	103,677
Total capital assets	153,177	153,177
Less: Accumulated Depreciation	(19,128)	(16,058)
Capital assets, net of accumulated depreciation	\$ 134,049	\$ 137,119

Long-term debt

Elbridge Township had no outstanding debt at March 31, 2008 and 2007.

General Economic Overview

Elbridge Township plans to maintain its financial stability over the course of the next fiscal year. The two main sources of revenue for the Township are property taxes and state shared revenue, both of which are expected to remain at about the same level or slightly below what was experienced in the current fiscal year. Expenditures are planned to remain consistent with the 2008 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the Elbridge Township's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Elbridge Township, 2266 E. Polk Road, Hart, MI 49420 or (231) 873-4740.

Elbridge Township

Statement of Net Assets

March 31, 2008

ASSETS

CURRENT ASSETS	Governmental activities
Cash and investments	\$ 245,178
Receivables	13,855
Due from other governmental units	13,752
Total current assets	272,785
NONCURRENT ASSETS	
Capital assets, net	
Nondepreciable	49,500
Depreciable	84,549
Total noncurrent assets	134,049
Total assets	\$ 406,834

LIABILITIES AND NET ASSETS

NET ASSETS	
Invested in capital assets, net of related debt	\$ 134,049
Unrestricted	272,785
Total net assets	\$ 406,834

The accompanying notes are an integral part of this statement.

Elbridge Township

Statement of Activities For the year ended March 31, 2008

		Program Revenue	Net (Expense) Revenue and Changes in Net Assets
Functions/Programs			
Governmental activities:	Expenses	Charges for services	Governmental activities
General government	\$ 72,515	\$ 1,250	\$ (71,265)
Public safety	61,910	-	(61,910)
Public works	57,918	-	(57,918)
Community and economic development	4,265	-	(4,265)
Culture and recreation	2,926	-	(2,926)
Total governmental activities	<u>199,534</u>	<u>1,250</u>	<u>(198,284)</u>
General revenues			
Property taxes, levied for general purposes			35,979
Property taxes, levied for specific purposes			63,450
Grants and contributions not restricted to specific programs			94,815
Unrestricted investment earnings			8,150
Miscellaneous			10,591
Total general revenues			<u>212,985</u>
Change in net assets			14,701
Net assets at April 1, 2007			<u>392,133</u>
Net assets at March 31, 2008			<u>\$ 406,834</u>

The accompanying notes are an integral part of this statement.

Elbridge Township

Balance Sheet Governmental Funds March 31, 2008

ASSETS

	General Fund	Cemetery Perpetual Care Fund	Total governmental funds
ASSETS			
Cash and investments	\$ 187,675	\$ 57,503	\$ 245,178
Taxes receivable	13,855	-	13,855
Due from other governmental units	13,752	-	13,752
Total assets	<u>\$ 215,282</u>	<u>\$ 57,503</u>	<u>\$ 272,785</u>

LIABILITIES AND FUND BALANCES

FUND BALANCES

Reserved for cemetery perpetual care	\$ -	\$ 57,503	\$ 57,503
Unreserved	215,282	-	215,282
Total fund balances	<u>\$ 215,282</u>	<u>\$ 57,503</u>	<u>\$ 272,785</u>

The accompanying notes are an integral part of this statement.

Elbridge Township

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets March 31, 2008

Total fund balance—governmental funds	\$	272,785
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Amounts reported for governmental activities in the Statement of
Net Assets are different because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the
governmental funds.

Cost of capital assets	\$	153,177	
Accumulated depreciation		<u>(19,128)</u>	134,049

Net assets of governmental activities in the Statement of Net Assets	\$	<u><u>406,834</u></u>
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The accompanying notes are an integral part of this statement.

Elbridge Township

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the year ended March 31, 2008

	General Fund	Cemetery Perpetual Care Fund	Total governmental funds
REVENUES			
Property taxes	\$ 99,429	\$ -	\$ 99,429
Intergovernmental revenues - state	94,815	-	94,815
Licenses and permits	1,250	-	1,250
Investment earnings	4,774	3,376	8,150
Other	10,591	-	10,591
Total revenues	210,859	3,376	214,235
EXPENDITURES			
Current:			
General government	65,779	3,666	69,445
Public safety	61,910	-	61,910
Public works	57,918	-	57,918
Community and economic development	4,265	-	4,265
Culture and recreation	2,926	-	2,926
Total expenditures	192,798	3,666	196,464
Excess of revenues over expenditures	18,061	(290)	17,771
OTHER FINANCING SOURCES (USES)			
Transfers in	-	2,706	2,706
Transfers out	(2,706)	-	(2,706)
	(2,706)	2,706	-
Net change in fund balances	15,355	2,416	17,771
Fund balance at April 1, 2007	199,927	55,087	255,014
Fund balance at March 31, 2008	\$ 215,282	\$ 57,503	\$ 272,785

The accompanying notes are an integral part of this statement.

Elbridge Township

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of the governmental funds to the Statement of Activities

For the year ended March 31, 2008

Net changes in fund balances - total governmental funds	\$ 17,771
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Amounts reported for governmental activities in the Statement of
Activities are different because:

Governmental funds report outlays for capital assets as expenditures.
However, in the Statement of Activities, the cost of those assets
is allocated over their estimated useful lives and reported as
depreciation expense.

Depreciation expense	(3,070)
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Change in net assets of governmental activities	\$ <u>14,701</u>
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The accompanying notes are an integral part of this statement.

Elbridge Township

Statement of Fiduciary Assets and Liabilities

Agency Fund

For the year ended March 31, 2008

	Tax Collection Fund
ASSETS	
Cash and investments	\$ 209
LIABILITIES	
Due to other governmental units	\$ 209

The accompanying notes are an integral part of this statement.

Elbridge Township
Notes to the Financial Statements
March 31, 2008

I. Summary of significant accounting policies

The accounting policies of Elbridge Township have been adopted to conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies used by Elbridge Township.

A. Reporting entity

Elbridge Township is a general law township located in Oceana County, which operates under the direction of a five member elected township board. Under the criteria established by accounting principles generally accepted in the United States of America, the Township has determined that there are no component units which should be included in its reporting entity.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e. the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are

Elbridge Township
Notes to the Financial Statements
March 31, 2008

recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property and other taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Elbridge Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Cemetery Perpetual Care Fund accounts maintenance costs related to the cemetery.

Additionally, the township reports the following fund type:

The tax collection agency fund accounts for all of the tax collection payments and disbursements to Elbridge Township and other governmental units.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to

Elbridge Township
Notes to the Financial Statements
March 31, 2008

this same limitation. The Township has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as needed.

D. Assets, liabilities and net assets or equity

1. Deposits and investments

The township's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The Township has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Township to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies, United States government or federal agency obligation repurchase agreements, bankers' acceptances, state-approved investment pools and certain mutual funds. All investments are reported at fair value.

The Township's pension trust investments are held in trust by the investment fiduciary, Municipal Retirement Systems. The State of Michigan authorizes the Township's plan to invest in a wide variety of investments including stocks, bonds, certificates of deposit, real estate, annuity contracts, obligations of a specified nature, and real or personal property. Pension plan securities traded on national exchanges are valued at the last reported sales price.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

Elbridge Township
Notes to the Financial Statements
March 31, 2008

All trade and property tax receivables are shown net of allowance for uncollectibles. The Township bills and collects its own property taxes and also collects taxes for the county, school and State of Michigan. Property taxes are levied on December 1 on the taxable valuation of real and personal property (as defined by state statutes) located in the Township as of the preceding December 31. Uncollectible real property taxes as of the following March 1 are turned over by the Township to the County for collection. The delinquent personal property taxes remain the responsibility of the Township. The Township recognizes all available revenue from the current tax levy. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2007 state taxable value for property within the Township totaled approximately \$22,327,390. The property tax levied consisted of 1.23 mills for the Township's operating purposes, and .9516 and 1.8947 for fire protection. The tax revenue for all levies was recorded in the Township's General Fund.

3. Capital assets

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant and equipment of the Township are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	10-75
Land improvements	20
Equipment	5-15

4. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

5. Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect

Elbridge Township
Notes to the Financial Statements
March 31, 2008

the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. Stewardship, compliance and accountability

A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund. All annual appropriations lapse at fiscal year end.

The township supervisor prepares the budget and submits it to the Township Board prior to March 31. The operating budget includes proposed expenditures and the means of financing them. A public hearing is held at the Township Hall to obtain taxpayer comments. Prior to the end of the fiscal year, the Township Board enacts the budget through a resolution. The budget is amended throughout the year, when required to provide for additional revenues and expenditures. The appropriated budget is prepared by fund and function. Transfers of appropriations between functions require the approval of the Township Board. The legal level of budgetary control is the function level. The Township Board made a few insignificant budgetary appropriations throughout the year.

B. Excess of expenditures over appropriations

For the year ended March 31, 2008, expenditures exceeded appropriations in the General Fund township board department (the legal level of budgetary control) by \$2,387. These overexpenditures were funded by lower than anticipated expenditures in other line items.

III. Detailed notes on all funds

A. Deposits and investments

As of March 31, 2008, the township had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Months)</u>	<u>Moody's</u>	<u>Percent</u>
Negotiable certificates of deposit	\$80,585	12.4	Not rated	100%

Elbridge Township
Notes to the Financial Statements
March 31, 2008

Interest Rate Risk

The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). The Township's investment policy does not further limit its investment options.

Concentration of Credit Risk

The Township Board places no limit on the amount that the Township may invest in any single issuer.

Custodial Credit Risk – Deposits and Investments

Custodial credit risk in the case of deposits is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. State law does not require, and the Township does not have, a deposit policy for custodial credit risk. As of March 31, 2008, \$181,170 of the Township's governmental funds' deposits were covered by federal depository insurance, and \$64,008 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Foreign currency risk

The Township is not authorized to invest in securities which have this type of risk.

B. Receivables

The Township's receivables in the governmental funds consisted of a balance due of \$13,855 from Oceana County for delinquent property taxes collected by the County on behalf of the township. The Township's due from other governmental units consisted of a State of Michigan shared revenue payment of \$13,752.

C. Interfund receivables, payables, and transfers

Interfund transfers during the 2008 fiscal year consisted of the following:

<u>Fund Transferring Out</u>	<u>Receiving Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Cemetery Perpetual Care	\$ 2,706	Operating

Elbridge Township
Notes to the Financial Statements
March 31, 2008

D. Capital assets

Capital asset activity for the year ended March 31, 2008 was as follows:

	Balance April 1, 2007	Additions	Deletions	Balance March 31, 2008
Capital assets, not being depreciated:				
Land	\$ 49,500	\$ -	\$ -	\$ 49,500
Capital assets, being depreciated:				
Buildings and improvements	92,746	-	-	92,746
Land improvements	1,505	-	-	1,505
Equipment	9,426	-	-	9,426
Total capital assets, being depreciated:	103,677	-	-	103,677
Less accumulated depreciation	16,058	3,070	-	19,128
Net capital assets, being depreciated	87,619	(3,070)	-	84,549
Total governmental capital, net	<u>\$ 137,119</u>	<u>\$ (3,070)</u>	<u>\$ -</u>	<u>\$134,049</u>

Depreciation expense was charged to the functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 3,070
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E. Fund balance restrictions

The Township's restricted net assets at March 31, 2008 consisted of assets restricted for cemetery perpetual care.

F. Other information

1. Risk management

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss in excess of insurance coverage can be

Elbridge Township
Notes to the Financial Statements
March 31, 2008

reasonably estimated. There has been no loss in excess of insurance in the past three years.

2. *Contingent liabilities*

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability to the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Township expects such amounts, if any, to be immaterial.

G. Pension plan

The Township offers pension benefits to all of its elected officials and the zoning administrator through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Township contributes 6% of eligible compensation to the plan. For the year ended March 31, 2008, pension expense was \$1,498 on eligible compensation of \$24,965.

H. Economic dependency

The Township relies on the State of Michigan Shared Revenue program to fund a portion of its current governmental operations. For the year ended March 31, 2008, the state shared revenue was approximately 56% of total governmental revenue.

Required supplementary information

Elbridge Township

Required Supplementary Information

Budgetary Comparison Schedule

General Fund

For the year ended March 31, 2008

	Budgeted Amounts			Variance with final budget- positive (negative)
REVENUES	Original	Final	Actual	
Property taxes	\$ 92,410	\$ 92,410	\$ 99,429	\$ 7,019
Intergovernmental revenues - state	95,500	95,500	94,815	(685)
Licenses and permits	800	800	1,250	450
Investment earnings	2,000	2,000	4,774	2,774
Other	5,000	5,000	10,591	5,591
Total revenues	195,710	195,710	210,859	15,149
EXPENDITURES				
Current				
General government				
Township board	9,100	9,100	11,487	(2,387)
Supervisor	4,650	4,650	4,512	138
Clerk	8,500	8,500	9,123	(623)
Treasurer	11,453	11,453	10,587	866
Assessor	4,920	4,920	4,873	47
Board of review	2,300	2,300	1,015	1,285
Elections	3,500	3,500	4,197	(697)
Townhall	18,100	18,100	19,660	(1,560)
Other	40,000	40,000	325	39,675
Public safety - Fire	61,910	61,910	61,910	-
Public works				
Highways and streets	123,000	123,000	57,918	65,082
Sanitation	-	325	-	325
Community and economic development	5,225	5,225	4,265	960
Culture and recreation	5,441	5,116	2,926	2,190
Total expenditures	298,099	298,099	192,798	105,301
Excess of revenues over expenditures	(102,389)	(102,389)	18,061	(120,450)
OTHER FINANCING USES				
Transfers out	(5,000)	(5,000)	(2,706)	2,294
Net change in fund balance	<u>\$ (107,389)</u>	<u>\$ (107,389)</u>	15,355	<u>\$ 122,744</u>
Fund balance at April 1, 2007			<u>199,927</u>	
Fund balance at March 31, 2008			<u>\$ 215,282</u>	

August 26, 2008

Township Board
Elbridge Township
Hart, Michigan

In planning and performing the audit of the financial statements of Elbridge Township as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, I considered Elbridge Township's internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Elbridge Township's internal control. Accordingly, I do not express an opinion on the effectiveness of the Elbridge Township's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control that I consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. I consider the following deficiencies to be significant deficiencies in internal control.

Recommendation 1: The Township should establish a fire fund to account for the property tax revenues and spending for fire protection services.

The Township levies property taxes to support fire services for its residents. The tax levy is collected by the Township for the purpose of fire protection. I discovered that the Township account for this tax levy within the General Fund, instead of a Fire Fund, which is a required when a separate millage is levied. The Township should establish and maintain a Fire Fund to account for the property tax collections and disbursements for fire protection services, and budget for these items accordingly.

This communication is intended solely for the information and use of management of Elbridge Township and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.



Ludington, Michigan



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August 26, 2008

Township Board
Elbridge Township
Hart, Michigan

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Elbridge Township for the year ended March 31, 2008, and have issued my report thereon dated August 26, 2008. Professional standards require that I provide you with the following information related to my audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in my engagement letter dated January 5, 2008, my responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

I performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on July 11, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Elbridge Township are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the 2008 fiscal year. I noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management in performing and completing our audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of our audit.

Management Representations

I have requested certain representations from management that are included in the management representation letter dated August 26, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to my retention.

Comments and Recommendations

During my testing of revenues, I noted that the fire levy revenue and fire expenses were recorded in the General Fund. A separate fund is required when a millage is levied for fire services. I would recommend that the Township establish a fire fund and adopt a budget for this fund on an annual basis.

This information is intended solely for the use of the Township Board and management of Elbridge Township and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Lake Michigan CPA Services, PLLC
Lake Michigan CPA Services, PLLC